



BAIL OUT PHILANTHROPY

Sunday, December 7, 2008

Every weekend CUIP's president Jacqueline Salit and strategist and philosopher Fred Newman watch the political talk shows and discuss them. Here are excerpts from their dialogue on Sunday, December 7, 2008 after watching "The Chris Matthews Show," "Meet the Press," and several Charlie Rose interviews.

Salit: I'm going to start with the foreign policy story. Obama's put together his foreign policy team, including the holdover Robert Gates as Defense Secretary and Hillary Clinton as Secretary of State. By-and-large the appointments have been applauded by the establishment and critiqued to varying degrees by elements of the Left. The left critique is – well, if Obama is looking to change the mindset that took us to war in the first place, then where is the change in the mindset? They say they want what they're calling a "left perspective" on the foreign policy team. To what extent do you think Obama is adjusting to certain realities about how you govern and how do you suppose he is thinking about how to use that kind of team to introduce a new mindset?

Newman: I think Obama believes that the relevant mindset here is the mindset of the American people, and that he won dramatically enough to have that be the determining mindset. And so his appointees will be taking on the positions of the American people. That is how he succeeds, it's how he pulls all of this off.

Salit: In a sense, that's what Chris Matthews was asking his panelists. What kind of room does he have to maneuver? John Heilemann says there are big problems to deal with but he had a big win. That gives him room.

Newman: Yes. And the assumption built in there is that his election represents more than just a normal election.

Salit: We watched Charlie Rose interview Arianna Huffington. Arianna might agree with the proposition that this was something other than a normal election. Her characterization of what's happened is that the Left is now the center. That the ideas, the positions, and so forth, of progressives are now the political mainstream and that the Left has won.

Newman: I don't know what that's supposed to mean. It's Arianna's classic partisan style. I would rather say, because I think it's more useful, that the Left has been included, and that the left solution, for example, to get out of Iraq, is closer to the solution desired by the American people, than any of the others are. If that's the same as "the Left has won," then so be it. But, the most important part of that is the inclusion of the Left, not the winning by the Left.

Salit: So Charlie Rose says to her, 'If the Left is now the center, who's the Left?'

Newman: That's part of why I wouldn't say that the Left is now the center, or that it has won. I don't think that's the issue. The winning/losing politic is what was overcome in this election. That's what the election was all about. It's the American people crying out *Could you please give us a plan that works!*

Salit: Yes.

Newman: We don't care whether they're left, center or right. Are they working solutions?

Salit: Obama certainly projected that in his appearance on *Meet the Press*.

Newman: Absolutely. This is a man who has quickly developed an impressive mastery of the details of the economic crisis, and of the choices he must make as president to intervene on it.

Salit: I agree. I think that was equally true on the foreign policy front. He was impressive overall. But I had to laugh when Brokaw asked him about Caroline Kennedy filling Hillary Clinton's Senate seat and he declined to answer, saying he didn't want to get mixed up in New York politics. I surely knew how he felt! But, as Obama says, he has his team working on these issues. They're going to put together a stimulus package and they're trying to figure out ways to engineer it so that the money gets to where it needs to get to.

Newman: Alright.

Salit: Take the situation with the car companies. They want a 35 billion dollar bailout.

Newman: Alright.

Salit: They argue, 'Well, you know, you bailed out Citigroup, you bailed out this one, you bailed out that one. We need to be bailed out, too, because we need to save these jobs and save the industry etc.' During the Senate hearings, Jon Tester from Montana says 'Well, we bailed out the banks to be able to free up credit. That's supposed to help the auto industry. But now, actually, credit isn't being freed up. And so the auto industry is about to collapse because they need credit and they can't get it, so now they're coming to us for it.' So, my question is what do you do in that kind of situation, where you don't know what to do, you keep doing things and they're not "taking" in the ways that you need them to. Do you just keep doing more things?

Newman: You could consider bailing out philanthropy.

Salit: Bail out philanthropy, meaning infusing substantial capital into that sector of the economy whose specific purpose is not profit-making, but social development and dealing with social problems.

Newman: Yes, and it's a sector that has good ideas.

Salit: Funding good ideas would be a good idea. This connects to a Charlie Rose interview of Michael Kinsley, who has written a new book called *Creative Capitalism*. The book is based on a talk that Bill Gates gave in which he argues that capitalism can solve problems, that capitalism can help the poor, if capitalism is retooled in such a way to address issues that are too big for government and too big for philanthropy. You're saying something different than that.

Newman: I'm saying almost the opposite.

Salit: OK. So, what would that look like, a government bailout of philanthropy?

Newman: We'd look for those non-profits and those philanthropic operations which have been helping people to do worthwhile things, contributing innovation to a variety of fields but which – because they're philanthropies – don't work on a profit motive. If you pick the right ones, your investment will infuse new ideas directly into the broader economy.

Salit: Some policymakers would say *Well, we're already planning to put hundreds of billions of dollars into the social service sector which has the capacity to reach different communities*. In other words, they'd say *We're planning to do that through government programs and not philanthropy, not the private philanthropic sector, but through the government-funded social service sector*.

Newman: Why would one believe that government social service programs have been the most effective? Look at their record. They neither have a good record at addressing social needs or at attracting money in the marketplace – other than from the government. So why would that be a better idea?

Salit: That's a good point, of course. No social success and no entrepreneurial success. But Bill Gates' argument is that some problems are too big for philanthropy and too big for government – that's what he's arguing.

Newman: How could the argument be that they're too big? Give as much money as is needed for them to do what they have to do.

Salit: When he says that there are some problems that are too big for government and too big for philanthropy, another way of saying the same thing is that they're too expensive, that the problems are too costly for the existing apparatus to remedy.

Newman: Well, if they are, then the problem is unsolvable.

Salit: But he offers an alternative solution. His contention is that capitalism can be restyled and retooled to operate both on the basis of the profit motive and also on the basis of addressing social need, and how that form of capitalism, which he calls "creative capitalism" has to come more into popular usage. Corporations have to have multiple objectives, not just to make money for their shareholders. Their objective has to be to cure social problems at the same time. But, when you said before that your recommendation is the exact opposite of Gates', which is to say that we should bail out philanthropy, is part of what you're saying that you don't think that capitalism can be retooled in that way?

Newman: I think it's likely to be unsuccessful.

Salit: In other words, if you try to contain the profit motive within a capitalist system and re-orient business so that it is set up for multiple functions, not just making money...

Newman: You can "set up" the moon to be Neptune, but that doesn't mean it's going to be Neptune.

Salit: Michael Kinsley said of himself that his basic approach on this question, and the approach of a lot of people, is to keep capitalism and philanthropy apart. What Gates is arguing is, don't keep them apart. We have to find ways to bring them together.

Newman: I'm giving you a plan to keep them together.

Salit: Bail out philanthropy.

Newman: Right. You can't keep them apart or what you're effectively doing is cutting the lifeline of philanthropy. You have to put something in there. Otherwise, you won't have any philanthropy. Money has got to come from somewhere.

Salit: Yes. And, some of the big foundations, for example, are saying they're going to have to cut back on their giving, given the economic crisis. Gates himself actually just reversed his earlier position, because apparently a number of weeks ago he said that the Gates Foundation was going to have to give less money philanthropically. And now, he's changed his mind. But basically your argument is that if we're looking to stimulate the economy and to stimulate problem-solving for the various social and economic

needs that people have, that there should be a major capital infusion into the philanthropic sector.

Newman: Yes.

Salit: And that we should put money into sectors that are performing for the country, not just into sectors that are failing. Then, how do you think about these questions relative to the auto industry, for example. Should the auto industry be bailed out or what are the terms under which the auto industry should be bailed out?

Newman: I don't know. I haven't studied it. But the question is, are there any terms under which the auto industry can seriously say they're going to be able to pay back a debt of this magnitude? And, if there are, what are those terms? It's a matter of the detail. I take it that what the automakers are saying is *Here's what we'll do with the money. Here's the order in which we'll do it. And in six months time, or 12 months time, we'll have this level of revenue and we'll be in a position to repay the loans.* So they're either going to be able to convince Congress of that or they won't.

Salit: Congress is also measuring how cataclysmic it will be to refuse to bail them out even if they don't have a rock solid financial plan. It was already decided that it would be cataclysmic if we didn't bail out the banks.

Newman: Yes.

Salit: Now the issue is how cataclysmic it will be to let the auto industry fail or to allow it to go into bankruptcy, and/or what are the steps that could be taken to either prevent that from happening or to create some kind of restructuring outside of bankruptcy.

Newman: It will be as cataclysmic as it will be. Do you want me to tell you whether the car dealership on 183rd Street will close or not? I can't provide you with that. But, it will close down a lot of the economy.

Salit: The UAW was also represented at the congressional hearings and the union president's message is 'We're not the banks, we're the workers and we're just asking for an honest break here.'

Newman: But they're asking the government.

Salit: Yes.

Newman: So, the government will decide whether the industry has established that it is in a position to pay back the loan. The government has an obligation to the U.S. taxpayer.

Salit: Yes.

Newman: So, are they asking us to steal the money from the U.S. taxpayer in order to give it to the U.S. worker? Well, lots of luck.

Salit: OK. So, there are teams of economists working on these issues and nobody really knows what to do and they're doing all these different things and they don't know what's going to take, what's going to work, what's going to catch, and so forth.

Newman: Are you asking whether that approach will work?

Salit: Yes.

Newman: I don't know. But they will try a number of different things and see if they're able to find something close to what they're willing to call "working." And do that.

Salit: Thanks, Fred.